Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

SECRET

PAGE 01 BONN 12512 01 OF 05 081323Z
ACTION SS-25

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S E C R E T SECTION 01 OF 05 BONN 12512

EXDIS

DEPARTMENT PLEASE PASS WHITE HOUSE

E.O. 11652: XGDS
TAGS: PGOV PINT GW US
SUBJECT: MEETING BETWEEN SENATOR BYRD AND CHANCELLOR SCHMIDT, JULY 5

SUMMARY: CHANCELLOR SCHMIDT RECEIVED SENATOR BYRD AND AMBASSADOR FOR ONE AND ONE HALF HOURS EVENING JULY 5. SCHMIDT WAS ACCOMPANIED BY RUHFUS. DURING MEETING THERE WAS WIDE RANGING DISCUSSION COVERING NATO, MIDDLE EAST AND AFRICAN DEVELOPMENTS, SOVIET SENSITIVITIES ON CHINA, U.S. ENERGY PROGRAM, TURKISH EMBARGO, U.S. NON-PROLIFERATION ACT, PROTECTIONISM AND GERMAN ECONOMIC GROWTH. SCHMIDT WAS INTERESTED IN SENATOR'S COMMENTS THAT CONGRESS WOULD FINISH WORK ON ENERGY BILL BY OCTOBER IF NOT EARLIER, BUT QUESTIONED WHAT THIS MEANT IN TERMS OF COMMITMENT THE PRESIDENT COULD GIVE AT SUMMIT. HE STRESSED DIFFICULTIES OF HIS POLITICAL SITUATION AND CONSTITUTIONAL LIMITATIONS ON ABILITY TO INCREASE FRG DEFICIT, SAYING HE PREPARED TO TAKE RISK BUT ONLY AS PART OF OVERALL PACKAGE. SCHMIDT FEARED THAT, IF PRESIDENT COULD NOT MAKE FIRM COMMITMENT ON ENERGY AT SUMMIT, THIS COULD MAKE
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PAGE 02 BONN 12512 01 OF 05 081323Z

"ABORTIVE SITUATION" POSSIBLE OR EVEN LIKELY. SCHMIDT AGREED ON IMPORTANCE OF PUSHING FOR MULTILATERAL TRADE AGREEMENT, BUT CAUTIONED THAT AMBASSADOR STRAUSS SHOULD NOT "OVER-DRAMATIZE" SITUATION BY PUTTING PUBLIC PRESSURE ON PARTICIPANTS. SCHMIDT'S COMMENTS ON U.S. NON-PROLIFERATION ACT WERE HAROLY CRITICAL, ALTHOUGH HE DID NOT THINK THIS WOULD BE AN ISSUE AT

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

SUMMIT. HE REFERRED AT ONE POINT TO HIS CONCERN ABOUT SOVIET OVERFLIGHTS OF TURKEY. ALTHOUGH TIRED FROM AFRICAN TRIP AND SUBMERGED IN PREPARATIONS FOR BREMEN AND BONN SUMMITS, SCHMIDT SEEMED IN GOOD FORM AND WAS CHARACTERISTICALLY SHARP AND PENETRATING IN HIS COMMENTS. END SUMMARY.

1. SENATOR BYRD BEGAN BY SAYING THAT HE CAME TO BONN AS EMISSARY OF PRESIDENT AS WELL AS MAJORITY LEADER OF U.S. SENATE. PRESIDENT CARTER HAD ASKED HIM TO CONVEY HIS WARMEST RESPECTS TO THE CHANCELLOR AND TO SAY THAT ANY SUGGESTIONS FROM THE CHANCELLOR WITH REGARD TO THE FORTHCOMING SUMMIT IN BONN OR ANY OTHER MATTERS WOULD BE MOST WELCOME. THE SENATOR REFERRED TO CHANCELLOR'S PREPARATIONS FOR MEETING WITH SADAT AND SAID HE KNEW THAT PRESIDENT WOULD BE PLEASED TO CONSULT WITH HIM IN THIS REGARD AND TO GIVE HIM AN UP-DATE ON U.S. ASSESSMENT OF MIDDLE EAST SITUATION. SENATOR ADDED THAT WE HOPE FOR FRG SUPPORT IN GETTING

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TO SECSTATE WASHDC IMMEDIATE 0025

S E C R E T SECTION 02 OF 05 BONN 12512

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MIDDLE EAST NEGOTIATIONS BACK ON TRACK AND IN PROMOTING SUCCESS OF SADAT'S INITIATIVES.

2. SCHMIDT RESPONDED WITH APPRECIATION AND ASKED THAT THE SENATOR IN TURN CONVEY HIS WARMEST REGARDS TO PRESIDENT. FOR THE PRESENT, HE HAD NO PARTICULAR SUGGESTIONS TO OFFER, ALTHOUGH IT WAS POSSIBLE HE MIGHT HAVE SOMETHING TO PASS ALONG FOLLOWING CONCLUSION OF BREMEN EC SUMMIT. SO FAR AS CONTACT WITH SADAT WAS

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

CONCERNED THE CHANCELLOR SAID THAT, WHILE THERE HAVE BEEN RUMORS ABOUT VISIT BY SADAT TO GERMANY, THERE HAS BEEN NO CONFIRMATION OF THIS AND HE CURRENTLY HAS NO PLANS TO MEET WITH SADAT.

3. SCHMIDT THEN DISCUSSED BRIEFLY HIS RECENT VISIT TO NIGERIA AND ZAMBIA. HE HAD FOUND LEADERS IN BOTH COUNTRIES DEEPLY DISTURBED BY SOVIET ACTIVITIES IN AFRICA, ALTHOUGH THEY REFRAIN FROM EXPRESSING THIS CONCERN PUBLICLY. THEY SAY THAT THEY DO NOT WISH TO DESTROY OAU UNITY BY CRITICISM OF THE SOVIET UNION. HOWEVER, SCHMIDT DEDUCES THAT THEY ARE ALSO RELUCTANT BECAUSE THEY FEAR SOVIETS IN THE END MAY GET THE UPPER HAND IN AFRICA. SCHMIDT ALSO FELT ZAMBIANS WERE FEARFUL OF CRITICIZING CUBANS BECAUSE THEY EXPECT CUBAN FORCES PROBABLY WILL SOON BE ACTIVE NEXT DOOR

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IN RHODESIA WHEN CIVILWAR BREAKS OUT THERE.

4. SCHMIDT THOUGHT THESE FEELINGS OF CONCERN ABOUT SOVIET ACTIVITIES WERE UNDERSTOOD IN U.S. SENATE, ALTHOUGH HE THOUGHT THAT THOSE SENATORS WHO OPPOSED A SALT AGREEMENT BECAUSE OF SOVIET ACTIONS ARE WRONG. HE ALSO COMMENTED THAT THERE IS SOME FEELING AMONG AFRICANS THAT U.S. POLICY REGARDING AFRICA IS NOT SUFFICIENTLY CLEAR.

5. SCHMIDT NEXT REFERRED TO HIS CONVERSATION JULY 4 WITH BULGARIAN FOREIGN MINISTER MLADENOV. MINISTER OBVIOUSLY HAD BEEN SENT BY SOVIET POLITBURO TO CARRY MESSAGE THAT SOVIETS ARE DEEPLY WORRIED BY CHINESE OVERTURES IN EUROPE AND REPORTS THAT U.S. ADMINISTRATION IS "PLAYING CHINESE CARD." SCHMIDT SAID HE TOLD MLADENOV THAT ANY HARDENING OF U.S. POLICY WAS ENTIRELY UNDERSTANDABLE IN VIEW OF WHAT SOVIETS WERE DOING IN AFRICA. THIS WAS DEEPLY WORRYING TO WEST AND REPRESENTED APPLICATION OF SELECTIVE DETENTE. SCHMIDT SAID HE HAD MADE SAME COMMENTS TO BREZHNEV IN BONN AND THAT BREZHNEV HAD MADE NO RESPONSE.

6. SCHMIDT TOLD MLADENOV THAT, IF SOVIETS ARE REALLY CONCERNED, AS THEY SEEM TO BE, ABOUT CHANGING U.S. ATTITUDE TOWARD SALT II, THEY SHOULD ASK THEMSELVES IF IT WOULD NOT BE WISE TO DEFINE THE LIMITATIONS AND THE METHODS OF THEIR ACTIVITIES IN AFRICA IN A MAJOR PUBLIC STATEMENT. CHANCELLOR SAID THAT MLADENOV HAD GONE ON AT LENGTH ABOUT SOVIET WORRIES CONCERNING CHINA, ALL OF WHICH DEMONSTRATES A VERY DEFENSIVE ATTITUDE BY SOVIETS. CHANCELLOR SAID THIS WAS SECOND

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

OR THIRD TIME HE HAD HEARD THIS MESSAGE FROM SOVIET
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PAGE 03 BONN 12512 02 OF 05 081336Z

UNION AND HE FEELS THIS SHOWS SOVIET LEADERS ARE WORRIED AND DO NOT KNOW HOW TO READ SIGNALS FROM THE U.S.

7. SCHMIDT THEN SPOKE ABOUT ENERGY QUESTION, NOTING THAT HE WAS TALKING TO AN AMERICAN SENATOR AND NOT A REPRESENTATIVE OF THE ADMINISTRATION. SPEAKING FRANKLY, HE COULD NOT UNDERSTAND THE LOGIC OF THE CONGRESS CONCERNING THE ENERGY BILL. IT WAS CLEAR THAT IF THE U.S. DID NOT TAKE STEPS TO SHOW A REVERSAL OF THE TREND TOWARD INCREASING CONSUMPTION OF ENERGY THE U.S. WOULD BE HELD RESPONSIBLE FOR DEEPENING ECONOMIC DIFFICULTIES IN THE WORLD. THE LARGE U.S. TRADE DEFICIT IS DUE PRIMARILY TO OIL IMPORTS, AND THE WORLD CANNOT STAND SUCH DEFICITS FOR LONG. ALREADY, THERE ARE 500 BILLION EURO DOLLARS IN CIRCULATION AND AN ANNUAL ADDITION OF 45 OR 50 BILLION TO THIS AMOUNT IS SIMPLY UNACCEPTABLE. THIS CONTRIBUTES TO THE INSTABILITY OF CURRENCIES AND THE GENERAL UNPREDICTABILITY OF THE WORLD ECONOMY. SCHMIDT REFERRED TO THE RECENT VISIT TO BONN OF SAUDI ARABIAN CROWN PRINCE FAHD AND SAID THAT THE SAUDI ARABIANS IN PRIVATE CONVERSATION WERE CLEARLY CONCERNED ABOUT DEVELOPMENTS CONCERNING THE U.S. DOLLAR

8. THE CHANCELLOR SAID HE WISHED TO COMMENT ON THE U.S. NUCLEAR NON-PROLIFERATION ACT RECENTLY PASSED BY

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PAGE 01 BONN 12512 03 OF 05 081358Z
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Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

TO SECSTATE WASHDC IMMEDIATE 0026

S E C R E T SECTION 03 OF 05 BONN 12512

EXDIS

CONGRESS. THIS IS AN ACT WHICH NO ONE CAN READ OR UNDERSTAND BUT ITS GENERAL THRUST SEEMS TO BE AGAINST THE DEVELOPMENT OF NUCLEAR INDUSTRY IN EUROPE. THE CHANCELLOR DESCRIBED THE LACK OF ENERGY RESOURCES IN MOST EUROPEAN COUNTRIES AND STRESSED THE NEED OF THE EUROPEANS TO DEVELOP NUCLEAR ENERGY IF THEY WISHED TO SUBSIST WITHOUT DEPENDENCE ON MIDDLE EASTERN OIL. THERE WAS ALSO A FEAR, HE SAID, THAT, IF BEGIN CONTINUES HIS INTRANSIGENT POLICIES, A WAR COULD BREAK OUT IN THE MIDDLE EAST IN WHICH IT WAS CERTAIN THAT OIL WOULD BE USED AS A WEAPON. THE UNITED STATES COULD DEAL WITH A CUTOFF OF OIL FROM THE MIDDLE EAST, BUT IT WOULD REPRESENT SHEER DISASTER FOR EUROPE. TO CUT DOWN SUCH DEPENDENCE, EUROPE NEEDS ITS NUCLEAR PLANTS AND ALL THAT GOES WITH THEM. SCHMIDT SAID IT IS DIFFICULT ENOUGH IN EUROPE TO COMBAT THE ENVIRONMENTALISTS WITHOUT ALSO HAVING TO FIGHT THE U.S. CONGRESS. THE CHANCELLOR SAID HE UNDERSTOOD AND SYMPATHIZED FULLY WITH THE NON-PROLIFERATION AIMS OF PRESIDENT CARTER, BUT THE DEVELOPMENT OF NUCLEAR ENERGY IS A STRATEGIC QUESTION FOR EUROPE WHICH IS OF ENORMOUS IMPORTANCE. HE SAID THAT ONE HAS THE IMPRESSION THAT THE U.S. (NOT REPEAT NOT INCLUDING THE PRESIDENT) SIMPLY DOES NOT CARE ABOUT EUROPEAN VIEWS. LATER IN THE CONVERSATION, THE CHANCELLOR REVERTED TOTHIS SUBJECT,
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SAYING THAT ANOTHER ELEMENT IN PUBLIC ATTITUDES IN THE FRG TOWARD THE NON-PROLIFERATION ACT WAS THAT THIS SOMEHOW HAD TO DO WITH COMMERCIAL COMPETITION AND A DESIRE BY THE U.S. TO GAIN ADVANTAGE. THIS IS CLEARLY UNTRUE, HOWEVER, AND PEOPLE WHO SAY THIS SORT OF THING AREMISLED. THE CHANCELLOR DID NOT FEEL THAT THE NON-PROLIFERATION ACT WOULD BE A MAJOR ISSUE AT THE BONN SUMMIT, ALTHOUGH HE CLEARLY ATTACHED IMPORTANCE TO IT AS A CONTINUING MATTER OF CONCERN.

9. ON THE TURKISH EMBARGO, SCHMIDT SAID HE COULD UNDERSTAND THE ORIGINAL MOTIVATION OF THE SENATE BUT HE WONDERED IF THE SENATE COMPREHENDED THE POLITICAL EFFECT THE EMBARGO HAS HAD IN THE EASTERN MEDITERRANEAN. HE THOUGHT THE SENATE SHOULD EVALUATE WHETHER THE PROBLEM SHOULD BE SEEN ONLY IN TERMS OF GREEK-TURKISH RELATIONS OR IN TERMS OF OVERRIDING ASPECTS OF THE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

STRATEGIC SITUATION. THE CHANCELLOR SAID HE WAS UN-
EASY ABOUT THE OVERTURES OF THE SOVIETS TOWARD TURKEY
AND VICE VERSA. ALSO, THE EFFECTIVENESS OF THE
TURKISH MILITARY HAS BEEN GREATLY REDUCED DUE TO A LACK
OF SPARE PARTS AND THERE IS A GROWING BITTERNESS IN
TURKEY TOWARD THE UNITED STATES AND NATO AS A WHOLE.
ON ITS SIDE, THE FRG HAS CONTINUED MILITARY AID TO
BOTH GREECE AND TURKEY AND HAS URGED LEADERS OF BOTH
COUNTRIES TO COMPROMISE THEIR DISPUTES. IT COULD BE
SAID THAT BOTH ARE RESPONSIBLE FOR THEIR INABILITY TO
GET TOGETHER. THERE IS BLAME ON BOTH SIDES, BUT THERE
IS NO REASON WHY TURKEY SHOULD BE SEEN AS THE VILLAIN
OF THE PIECE AND GREECE AS THE INNOCENT PARTY.

10. SENATOR BYRD SAID HE WOULD RESPOND TO THE
CHANCELLOR'S REMARKS IN HIS CAPACITY AS MAJORITY
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LEADER OF THE SENATE. WITH REGARD TO THE SALT TREATY,
THE SENATOR AGREED WE SHOULD NOT LINK THE ACTIONS OF
THE SOVIET UNION AND CUBA IN AFRICA WITH A SALT AGREE-
MENT. A GOOD AGREEMENT IS NEEDED, BUT A BAD AGREEMENT
WOULD BE WORSE THAN NO AGREEMENT. THE SENATE WILL
LOOK AT THE FINE PRINT OF THE SALT II AGREEMENT TO BE
SURE IT RESPONDS TO THE INTEREST OF THE UNITED STATES
AND ITS ALLIES. WHILE NOT WISHING TO LINK THE TREATY
WITH SOVIET ACTIONS, THE SENATOR SAID IT IS VERY
DIFFICULT TO SEPARATE THESE MATTERS IN THE PUBLIC MIND,
AND HE NOTED WE HAD HAD A SIMILAR EXPERIENCE WITH
REGARD TO ECONOMIC ASSISTANCE TO KOREA.

11. ON THE ENERGY PROGRAM, THE SENATOR SAID HE UNDER-
STOOD THE CHANCELLOR'S CONCERNS. THE U.S. HAS BEEN
PROFLIGAE IN ITS CONSUMPTION OF ENERGY AND IT IS CLEAR
THAT ACTION MUST BE TAKEN. A WRONG IMPRESSION HAS BEEN
CREATED BY THE MEDIA THAT THE SENATE HAS DISTORTED
AND BLOCKED THE PRESIDENT'S ENERGY BILL, BUT THIS IS
NOT TRUE. THE SENATOR REVIEWED THE ACTIONS TAKEN IN
THE HOUSE AND THE SENATE, NOTING THAT THE HOUSE-
SENATE CONFEREES NOW AGREE ON FOUR ELEMENTS OF AN
ENERGY PACKAGE. THE SENATOR SAID THAT BEFORE THE
CONGRESS ADJOURNS IN OCTOBER A BILL WILL BE SUBMITTED
TO THE PRESIDENT: HE WAS CONFIDENT IT WOULD CONTAIN
THE FOUR ELEMENTS ALREADY AGREED AND HE WAS CAUTIOUSLY

SECRET

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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PAGE 01 BONN 12512 04 OF 05 081353Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 0027

S E C R E T SECTION 04 OF 05 BONN 12512

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OPTIMISTIC THAT THERE WOULD BE AGREEMENT ON THE FIFTH ELEMENT, I.E., THE CRUDE OIL EQUALIZATION TAX.

12. THE SENATOR THEN DESCRIBED THE SITUATION IN THE CONGRESS CONCERNING LIFTING OF THE TURKISH EMBARGO, SAYING THAT THE PROSPECTS FOR SUCH ACTION ARE FAIRLY GOOD IN THE SENATE BUT THAT THE SITUATION IN THE HOUSE IS MORE DIFFICULT. HE THOUGHT THERE WAS A SOMEWHAT BETTER THAN 50-50 CHANCE THE HOUSE WOULD APPROVE LIFTING THE EMBARGO. THE SENATOR STRESSED THAT HE WOULD CONVEY TO THE PRESIDENT AND TO CONGRESSIONAL LEADERS THE VIEWS OF THE CHANCELLOR AND OF OTHER NATO MEMBERS ABOUT THESE MATTERS.

13. SCHMIDT REVERTED TO THE ENERGY QUESTION, ASKING WHAT PRESIDENT CARTER WOULD BE ABLE TO SAY AT THE SUMMIT IF THE ENERGY BILL CAN ONLY BE SUBMITTED TO HIM IN OCTOBER. IF THE PRESIDENT CANNOT GIVE ASSURANCES ON U.S. ACTION ON ENERGY, HOW CAN AN OVERALL PACKAGE BE PUT TOGETHER AT THE SUMMIT? IF FOR EXAMPLE, THE PRESIDENT CAN ONLY SAY THAT ACTION WILL BE TAKEN ON ENERGY IN OCTOBER, THEN OTHER PARTICIPANTS MIGHT SAY THAT THEIR DECISIONS ON TRADE MATTERS OR ECONOMIC STIMULATION WOULD ONLY BE MADE IN OCTOBER. THE CHANCELLOR COMMENTED THAT HE WAS DISAPPOINTED TO HEAR
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PAGE 02 BONN 12512 04 OF 05 081353Z

WHAT SENATOR BYRD HAD SAID AND THAT T HE HAD HOPED FOR MORE.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

14. THE SENATOR SAID THAT THE CONGRESS WILL TAKE ACTION BEFORE THE OCTOBER AJOURNMENT DATE. SENATOR BYRD EMPHASIZED THAT OCTOBER WAS THE ULTIMATE DATE -- THE DATE OF ADJOURNMENT. IT WAS VERY LIKELY THAT PORTIONS OF THE PACKAGE WOULD BE ENACTED MUCH SOONER, PARTICULARLY IF THE HOUSE CONFEREES COULD AGREE TO SUBMIT ELEMENTS OF THE ENERGY PROGRAM SEPARATELY FOR A VOTE. THE CHANCELLOR SAID HE UNDERSTOOD, BUT THAT THIS REALLY DID NOT HELP THE SITUATION. HE HAS TO TAKE A DECISION ON HIS OWN ACTIONS BY NEXT SUNDAY AND VAGUE PROMISES ABOUT ACTION ON ENERGY SOME MONTHS AWAY ARE NOT SUFFICIENT. SCHMIDT SAID THE PRESIDENT WILL HAVE TO CONSIDER VERY CAREFULLY THE WORDING HE WILL USE ON ENERGY AT THE SUMMIT: OTHERWISE AN ABORTIVE SITUATION IS POSSIBLE AND EVEN LIKELY.

15. SENATOR BYRD MENTIONED THE NEED TO REACH AN AGREEMENT IN THE MULTILATERAL TRADE NEGOTIATIONS TO PREVENT SPIRALING OF PROTECTION-
IST PRESSURES. HE NOTED HE HAD STRESSED THIS TO PRIME MINISTER CALLAGHAN. THE CHANCELLOR AGREED, BUT SAID HE HAD ONE WORD OF CAUTION. HE THOUGHT AMBASSADOR STRAUSS SHOULD NOT OVER-DRAMATIZE THE SITUATION BY PUTTING PUBLIC PRESSURES ON PARTICIPANTS BEFORE THE SUMMIT MEETING. MUCH COULD BE SAID IN A SMALL CIRCLE ON A PRIVATE BASIS, AND THE PRESIDENT COULD STRESS THERE THAT HIS PARTICIPATION IN A SUMMIT PACKAGE DEPENDS ON ACTION AGAINST PROTECTIONISM, BUT WE SHOULD NOT OVERPLAY OUR HAND IN PUBLIC.

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16. SENATOR BYRD THEN REFERRED TO ACTIONS BEING TAKEN IN THE U.S. TO FIGHT INFLATION AND HE STRESSED THE FISCAL RESTRAINT OF THE U.S. CONGRESS. HE SAID IT WOULD ALSO BE HELPFUL IF OUR MAJOR PARTNERS COULD TAKE ACTION TO STIMULATE THEIR ECONOMIC GROWTH. IN REPLY, THE CHANCELLOR DESCRIBED IN FAMILIAR TERMS THE ACTIONS TAKEN BY THE FRG SINCE THE LONDON SUMMIT TO INCREASE THE FEDERAL DEFICIT WHICH IS NOW ABOVE 4 1/2 OF GNP. WITH THIS IN MIND, THE CHANCELLOR WONDERS HOW THE U.S. COULD ASK THE FRG TO UNDERTAKE A GREATER DEFICIT. HE

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Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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PAGE 01 BONN 12512 05 OF 05 081401Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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TO SECSTATE WASHDC IMMEDIATE 0028

S E C R E T SECTION 05 OF 05 BONN 12512

EXDIS

NOTED THE CONSTITUTIONAL LIMITS AGAINST BORROWING
IN EXCESS OF INCOME AND SAID THAT ONE STATE IN THE
FRG IS ALREADY PREPARING A SUIT AGAINST THE FEDERAL
GOVERNMENT IN THE CONSTITUTIONAL COURT ON THESE GROUNDS.
THE CHANCELLOR SAID THAT HE CANNOT TAKE A RISK IN THIS
AREA UNLESS AN OVERALL PACKAGE IS WORKED OUT WHICH IS
NECESSARY IN THE INTERESTS OF THE INTERNATIONAL
ECONOMY AND THEREFORE OF THE GERMAN ECONOMY. HOWEVER,
IF HE CANNOT HAVE CONFIDENCE IN THE U.S. PARTICIPATION
IN SUCH A PACKAGE, IT WILL NOT BE POSSIBLE TO DO THIS.
THE CHANCELLOR ALSO DESCRIBED HIS SLIM PARLIAMENTARY
MAJORITY AND EXPRESSED THE HOPE THAT THE U.S. WOULD
UNDERSTAND THE LIMITS UNDER WHICH HE IS OPERATING AND
THE PROBLEMS HE HAS IN MAKING A PACKAGE DEAL.

17. TOWARD THE END OF THE CONVERSATION, THE CHANCELLOR
SAID HE WISHED TO REVERT TO THE TURKISH SITUATION AND
SAID THAT HE HAS A SUSPICION THAT TURKISH AIR SPACE
IS BEING VIOLATED SYSTEMATICALLY BY THE SOVIET UNION
IN SENDING SUPPLIES BY AIR TO SYRIA, SOUTH YEMEN AND
ETHIOPIA. HE THOUGHT THIS MAY HAVE SOMETHING TO DO WITH
TURKISH ATTITUDES IN RESPONSE TO THE EMBARGO AS WELL AS
TO A WEAKENING OF U.S. CAPACITY TO EXERCISE AIR
SURVEILLANCE. THE CHANCELLOR SAID HE HAD NOT MENTIONED
THIS AT THE NATO MEETING IN WASHINGTON BUT HE THOUGHT
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PAGE 02 BONN 12512 05 OF 05 081401Z

IT SHOULD BE OF INTEREST TO THE UNITED STATES AND
WAS A SERIOUS MATTER. THE SENATOR SAID HE WOULD
REPORT THE CHANCELLOR'S REMARKS AND THAT THE QUESTION
WOULD BE HANDLED VERY CAREFULLY.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

18. IN CONNECTION WITH THE SENATOR'S REMARKS ABOUT U.S. EFFORTS AGAINST INFLATION, THE CHANCELLOR COMMENTED THAT, WHILE HE HAD REGRETTED THE RESIGNATION OF ARTHUR BURNS AS CHAIRMAN OF THE FEDERAL RESERVE BOARD, HE WISHED TO SAY THAT THE FRG HAS FULL CONFIDENCE IN THE NEW CHAIRMAN, WILLIAM MILLER, AND THAT THE FRG HAS BEEN ENCOURAGED BY ITS DIRECT CONTACTS WITH HIM.

19. AT SEVERAL POINTS DURING THE CONVERSATION, SENATOR BYRD STRESSED THE STEADFASTNESS OF U.S. SUPPORT FOR NATO, THE LTDP, AND THE RELIABILITY OF THE U.S. COMMITMENT TO BERLIN. HE ALSO UNDERLINED THE UNITY OF U.S. AND FRG VIEWS REGARDING THE SOVIET/WARSAW PACT BUILDUP. SCHMIDT RESPONDED WITH APPRECIATION TO THESE REMARKS, BUT SAID THEY DID NOT NEED TO BE REITERATED TO HIM, SINCE THERE COULD BE NO QUESTION IN HIS MIND OR ON THE PART OF GERMANS GENERALLY ABOUT THE FIRMNESS OF U.S. SUPPORT.

20. THE SENATOR EXPRESSED HIS DEEP APPRECIATION TO THE CHANCELLOR FOR THE OPPORTUNITY TO HAVE SUCH A COMPREHENSIVE DISCUSSION WITH HIM AND SAID THAT THE CHANCELLOR'S COMMENTS ON ALL OF THE MATTERS REVIEWED WOULD BE VERY USEFUL TO HIM WHEN HE RETURNED TO WASHINGTON AND THAT HE WOULD CONVEY THE CHANCELLOR'S VIEWS TO THE PRESIDENT AND TO THE LEADERS OF THE CONGRESS.
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Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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Subject: MEETING BETWEEN SENATOR BYRD AND CHANCELLOR SCHMIDT, JULY 5 SUMMARY: CHANCELLOR SCHMIDT RECEIVED SENATOR BYRD
TAGS: PGOV, PINT, OREP, GE, US, XX, XF, (BYRD, ROBERT C), (SCHMIDT, HELMUT)
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